

BILL # SB 1323

TITLE: transportation peace officers; retirement

SPONSOR: Mitchell

STATUS: As Introduced

REQUESTED BY: Senate

PREPARED BY: Timothy Sweeney

FISCAL YEAR

2003

2004

2005

EXPENDITURES

Other Appropriated Funds	\$-0-	\$687,600 to \$1,184,600	\$687,600 to \$1,184,600
--------------------------	-------	-----------------------------	-----------------------------

FISCAL ANALYSIS

Description

SB 1323 allows certified peace officers employed by the Arizona Department of Transportation (ADOT) to join the Public Safety Personnel Retirement System (PSPRS). Currently ADOT peace officers are members of the Arizona State Retirement System (ASRS).

Estimated Impact

Based on potential PSPRS contribution rates for ADOT peace officers, ADOT would need to contribute an additional 8.3% to 14.3% of peace officer salaries to PSPRS, compared to ADOT's current ASRS contributions. Due to the increased contribution rate, the department's higher retirement contribution would lead to increased Employee Related Expenditures (ERE) costs of between \$687,600 and \$1,186,100. The exact PSPRS contribution rate for ADOT must be actuarially determined. The table below details the potential increases in agency contribution based on various assumptions about the new PSPRS rate, as provided by PSPRS. ADOT does not have any General Fund Personal Services dollars, therefore, this bill would have no General Fund impact. The cost impact of this bill would increase the ERE paid from the State Highway Fund, the Vehicle Inspection and Title Fund, and the Safety Enforcement and Transportation Fund.

<u>Estimated PSPRS Contribution Rate</u>	<u>Additional Contribution Above FY 2004 ASRS Rate</u>	<u>General Fund Impact</u>	<u>Other Appropriated Funds Impact</u>
14.0%	8.3%	\$-0-	\$ 687,600
16.0%	10.3%	-0-	853,300
18.0%	12.3%	-0-	1,018,900
20.0%	14.3%	-0-	1,184,600
<u>ADOT Estimate</u>			
17.0%	11.3%	\$-0-	\$936,100

ADOT has also performed an analysis of the cost of SB 1323. The agency calculated the expected cost by comparing the expected FY 2004 ASRS contribution rate of 5.7% to an expected PSPRS contribution rate of 17.0%. The ADOT analysis concluded that SB 1323 would cost the agency approximately \$936,100 in FY 2004, based on current peace officer Personal Services.

In general, retirement bills enacted in the 2003 Legislative Session will not have a cost impact until FY 2006, because retirement rates have already been set for both FY 2004 and FY 2005. This bill, however, would have a cost impact in

FY 2004 because some ADOT employees would be switching from one retirement system (ASRS) to another system (PSPRS). Therefore, beginning in FY 2004, the agency would be responsible for the PSPRS contributions, which would be higher than ASRS contributions.

Analysis

The actual PSPRS contribution rate for ADOT peace officers depends on the age, salaries, and years of service of the ADOT peace officer population. An older population with more years of service will require a larger contribution rate, while a younger population with fewer years of service would require a lesser contribution rate. The contribution rate that will be determined by the PSPRS actuaries will include a normal cost rate of 11.21% (the current normal cost rate for PSPRS) and an additional amount to fund the added liability created by the addition of these ADOT employees.

The PSPRS contribution rate for ADOT peace officers is expected to be between 14.0% and 20.0%. As a result, ADOT would need to contribute an additional 8.3-14.3% of peace officer salaries to PSPRS, compared to current ASRS contributions. The department estimates that the total peace officer payroll for FY 2003 is \$8,284,100. The department's higher retirement contributions would lead to increased ERE costs of between \$687,600 and \$1,184,600 in FY 2004. ADOT estimates that additional funding would be necessary to implement this bill in FY 2004. Additionally, employee contributions under PSPRS will rise from 5.70% to 7.65% (the PSPRS employee contribution rate is set in statute).

Local Government Impact

SB 1323 applies only to ADOT peace officers, and does not impact the overall contribution rate. As a result, there is no local government impact.

3/6/03